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EMPLOYEES' PARTICIPATION IN MANAGEMENT— DISCUSSION

COLONEL HARRY B. JORDAN.—The labor problem at government establishments has a number of conditions attached to it concerning which the average business man has little conception. In connection with the talk that I have been requested to make on the Works Organization at the Rock Island Arsenal, I desire to bring these points out fully so that their bearing on the subject may be clear. They are: (1) qualifications for employment; (2) conditions of employment and privileges; (3) conditions of discharge.

I. QUALIFICATIONS FOR APPLICANTS FOR EMPLOYMENT

All civilian employees of the Ordnance Department obtain their employment by application to the local Civil Service Board stationed at each governmental establishment or to the Secretary of the District Civil Service Board. The local Civil Service Board at each ordnance establishment is composed of three persons: an officer, one of the classified employees, and the Secretary of the Civil Service District in which the ordnance establishment is located. Applicants for employment must be, in the case of males, between the ages of eighteen and fifty-five and, in the case of females, between eighteen and forty-five on the date of filing papers. The applicant in submitting his papers for any position must pass a physical examination, the record of which is spread on the application. The applicant must be an American citizen, and no person can be considered who has been indicted or convicted for any crime or misdemeanor, unless a full record of the case is spread on the record and a statement from the trial judge, showing the evidence of such person's subsequent good moral character and repute, furnished. All applications filed with the local Civil Service Board are rated and the selection in case of vacancy must be from among the first three persons on the list. The civil service rules nowhere make any mention of unions or organized labor and the department does not concern itself with the labor affiliations of an employee or the prospective employee; neither does it concern itself with reference to religion, the lodges to which a man may belong, or any similar matters. The employees are taken on under civil service rules, they are maintained under civil service rules, and are discharged under civil service rules.

II. CONDITIONS OF EMPLOYMENT AND PRIVILEGES OBTAINED THEREBY

Hours of Labor.—The first eight-hour law was passed in 1868. In 1892, 1912, and 1913 laws were enacted which extended the application of the eight-hour day. The law provides:

That the service and employment of all laborers and mechanics who are now or may hereafter be employed by the government of the United States, by the District of Columbia, or by any contractor or sub-contractor upon a public work of the United States or the District of Columbia . . . is hereby limited and restricted to eight hours in any one calendar day.

If in an emergency it is necessary to employ a man for more than eight hours, he is entitled to time and one-half for overtime on ordinary working days and double time on certain holidays. In every case where a per diem employee is worked for more than six days a week or eight hours a day, an explanation must be submitted to the Secretary of War showing the urgent necessity therefor; in other words the hours of labor are so strictly confined to eight per day that it is a very hard matter to employ anyone for a longer period of time.

Annual leave.—In 1901 a law was passed by Congress which declares:

That each and every employee of the navy yards, gun factories, naval stations, and arsenals of the United States government be and is hereby granted fifteen working days leave: Provided, that it shall be lawful to allow pro-rata leave only to those serving twelve consecutive months or more and, Provided further, that in all cases the heads of departments shall have discretion as to the time when the leave can be best allowed without detriment to the service and that absence on account of sickness shall be deducted from the leave hereby granted.

On August 29, 1916, this law was superseded by the present law, which provides:

That each and every employee of the navy yards, gun factories, naval stations, and arsenals of the United States government is hereby granted thirty days leave of absence each year without forfeiture of pay during such leave: Provided further, that it shall be lawful to allow the pro-rata leave only to those serving twelve consecutive months or more, and Provided further, that not more than thirty days leave with pay shall be allowed any such employee in one year: Provided further, that this provision shall not be construed to deprive employees of any sick leave or legal holidays to which they may be entitled under existing law.

In the Ordnance Department there is no allowance made at arsenals for the sick leave of any employee,—consequently the amount of leave given under this law does not exceed the amount mentioned, thirty days.

Holidays.—In addition to the thirty days leave, by various acts Congress has authorized the absence of employees from work on certain days which in the acts have been declared holidays, and has ordered full pay for these days, which are January 1, February 22, July 4, December 25, Memorial Day, Labor Day, and Thanksgiving Day,—seven days in all. In addition the President, under date of June 9, 1914, has directed that from June 15 to September 15 of each year, four hours shall constitute a day's work on Saturday for all clerks and other employees of the federal government wherever located. This means that the Saturday afternoons in question are granted as holidays with full pay. During the year 1919, this gave thirteen half holidays; in other words six and one-half days. It is therefore apparent that during the year 1919 arsenal employees received a total of forty-three and a half days leave with full pay. In other words, an employee of the Ordnance Department can work during a 365 day year a possible 313 days, but he actually works 269½ and receives pay for 313. Please appreciate fully that this leave is granted by acts of Congress and that the administrative officers of the

Ordnance Department or any other executive department of the government have absolutely no voice in the matter whatever.

Wages.—The Ordnance Department is circumscribed in its action by regulations governing the fixing of wages. There is no law covering wage rates for mechanics and laborers in the War Department, but by custom and precedent established through a long period of years the matter has crystallized into a regulation which governs the Ordnance Department and which states:

That the Commanding Officer shall make diligent inquiry of the private manufacturing establishments in the vicinity of his post, which in his opinion should best furnish the comparison desired as to rates of pay paid to the workingmen of different grades in each trade or occupation for work of a similar nature and grade to that done at his Arsenal and resembling it as nearly as possible.

The vicinity to be consulted is to be taken as the region lying within a boundary sufficient to insure similarity of conditions of employment and living to those at the point where the effort to fix the wages is being made. In considering the wages paid for similar work by different manufacturers, attention must be given to the size of the establishment, amount of work turned out, nature of the material and tools in use, and the standard established for and the degree of conformity thereto that may be exacted in the completed article; all of which points influence the compensation given workmen of even a similar grade at different factories. In other words, the Ordnance Department shall pay its employees in any given line of work the same amount of pay for an eight hour day that a man on this line of work obtains outside in commercial establishments for nine or ten hours. The rate of pay shall not be a matter over which the Commanding Officer exercises any discretion other than that of carefully ascertaining what the prevailing rate in commercial establishments doing work similar to that at his establishment is.

In this connection in the case of machinists, toolmakers, and workmen in allied trades at the Rock Island Arsenal, the Secretary of War has directed that in addition to such establishments in the tri-cities of Davenport, Rock Island, and Moline which do similar work, shops engaged in comparable work in Chicago shall be considered; and that rates in Peoria, Monmouth, and other small towns in the neighborhood of Rock Island Arsenal shall not be consulted as the living conditions in those towns are not comparable to the living conditions in the tri-cities. In other words, it is held that the living conditions in the tri-cities more nearly approach those in Chicago and therefore the rates of pay in Chicago and the tri-cities only shall be used. That is to say that "the vicinity" means the tri-cities plus Chicago.

The operation of the Compensation Act in case of disability due to accident or injury in the course of employment is also a very valuable consideration to the workman, as it gives him free medical treatment and pay during such disability. Another condition which the workman considers in obtaining government employment is that its continuity is practically assured. Of course, this would not apply to war

work nor to the size of the present force at Rock Island Arsenal, which can not be definitely fixed until Congress passes its appropriation for next year, based on the size of the Army it intends to support. The force now at the Rock Island Arsenal is about 7600 people. In my opinion this will be reduced to about 3000 during the next fiscal year. In other words, it will be reduced to a skeleton organization for munitions and such other governmental manufactures as the Secretary of War or other governmental agencies may turn over to it.

III. CONDITIONS OF DISCHARGE

The law in connection with discharge states:

In making removals or reductions or any other punishment, like penalties shall be imposed for like offenses and no discrimination shall be exercised for political or religious reasons. No person in the classified civil service shall be removed except for cause, and he shall be furnished with copy of the charges preferred against him, allowed a reasonable time to answer these charges, and a copy of the charges, notice of hearing, answer, reasons for removal, and the order for removal shall all be made a part of the records of proper office.

This sounds really more formidable in the case of an employee than the necessary action in any case really is. If an employee is guilty of an offense which justifies action, he has a report slip put in against him and is given a full chance to submit an explanation. The action of the reviewing authority is placed thereon and in case dismissal is necessary he is discharged and copies of all records attached to his retained record card.

You see therefore that the officer commanding an arsenal is limited and governed in his selection of employees by civil service rules. He is guided in his handling of the hours of labor and wages by civil service rules. He is guided and directed in the leave which he gives to his employees by congressional action, and he is guided in the discharge, removal, or punishment of his employee by civil service rules. Wages and hours of labor are, of course, the heart of the industrial relations problem; but the removal of these from the action of a governmental department still leaves many questions of industrial relationship to be considered. Back of all questions raised by employees there lies the basic need for a better means of conference and communication between the employer and the employee. At all ordnance establishments any employee has a full right to bring his special problems or troubles to anyone of the following persons who are listed in the order of their authority: Foreman, Master Workman, Officer in Charge, Commanding Officer, Chief of Ordnance, Secretary of War, President of the United States. This is to say nothing of his congressional representative, perhaps one or two senators as well. This right is guaranteed by the First Amendment to the Constitution of the United States, which reads: "Congress shall make no law . . . abridging . . . the right of the people . . . to petition the government for the redress of grievances."

In all of the older ordnance establishments employees' committees of one kind or another had come into existence, although they rarely

represented more than a single craft interest and they had grown up in the older atmosphere when employees were supposed to confer with the management only when grievances were to be aired. They offered only intermittent contact between the management and the employees and that contact at a time when differences of opinion already existed. These committees and individuals acting under their constitutional right frequently took matters to higher authorities in Washington and elsewhere. Of course, all such complaints and statements eventually came back to the Arsenal Commander for his side of the question, and this method of handling matters in no way expedited settlement, but on the contrary delayed it, simply creating additional causes of friction.

The thought that governed me in approving the Works Organization which has been installed at the Rock Island Arsenal was that we should begin with the conception that differences between the employer and employee are not irreconcilable and that the building of a Works Organization should not be based on a foundation of grievance committees and arbitration committees. The approach to the type of organization desired was one that should come from the conception that both the management and the men have interests in common, and that industry and its corollary, production, will suffer much by failing to gain the coöperation of the intelligent and experienced workers in the immediate problems with which they are directly concerned. To bring about this condition the Works Organization must provide an easy and continuous method of conference between the management and the workers and at the same time give the employees the full democratic right to select their representatives. The organization at Rock Island Arsenal meets these requirements. It gives a plain statement of its cause for existence when, in the order establishing it, it says: "In order to establish a definitely organized means of communication and conference between the management and the employees of the Rock Island Arsenal, the following plan is adopted."

This plan takes absolutely no administrative responsibility from the management of the Arsenal and yet at the same time it provides a means, a known prescribed channel, by which any one of the employees can bring a matter in which he is interested—and understand me that this does not mean grievances in hundreds and hundreds of cases—to the proper person whom he can consult with regard to it.

IV. WORKS ORGANIZATION

The organization of Rock Island Arsenal is readily divisible into thirteen departments and the Works Council is based on departmental representation. The Works Council is composed of three elected representatives from each of the thirteen departments, these representatives being elected by secret ballot. This secret ballot is entirely controlled by the employees; the only part the management has in it is that it provides a timekeeper in association with the two employee judges who certifies to an employee's eligibility to vote in a given shop. No employee of less than eighteen years of age and with less

than six months service is entitled to vote and no representative is eligible to election unless he has served one year at the Arsenal. No employee who has the power of recommending employment, promotion, or discharge is eligible to act as a departmental representative. These thirty-nine elected representatives form the Central Council, and the Chairman of this Central Council with four members of the Council are chosen to meet with the Commanding Officer and four of his principal assistants as a Joint Conference Committee. From the body of the Central Council are selected two members of the Council for each of the standing committees necessary for the transaction of business. The two members of each standing committee meet regularly each week with two representatives of the management as a joint standing committee for conference on all matters related to the subjects assigned to that committee. At the present time there are thirteen outstanding committees of the Central Council, one for each of the following subjects: Production, Employment, Working Conditions, Shop Expense, Rates of Pay, Arsenal Orders, Shop Discipline, Promotions and Discharges, Inventions, Safety and Sanitation, Statistics, Instructions, and Recreation.

Departmental representatives may be recalled by the usual procedure. Council members are eligible for duty on only one standing committee of the Council unless otherwise agreed upon by the Joint Conference Committee. To enable the Joint Conference Committee to have an expression of opinion of the employees as a whole or of any department that may be affected by a certain question, it has been provided that a referendum may originate with either the management or the Central Council or with the constituencies. The request must be presented in writing to the Central Council, thence it is sent to the Joint Conference Committee for action. The Council will later refer the question as formulated by the Joint Conference Committee to the department or departments interested if such action is necessary.

The three representatives of each department are, of course, in contact with the management representative of that department, and on all minor matters may confer with him. When a workman has a matter which he wishes to discuss or a complaint which he desires to submit he first takes it up with his foreman. If he and the foreman can not come to an understanding or it is beyond the jurisdiction of the foreman to give a decision, he so informs the man and the man may then discuss his case with one of the departmental representatives to be selected by him. If a departmental representative feels that it is a matter which should be taken up he discusses it with the foreman or the officer in charge—in other words, with the highest authority in the department—and if no action can be taken, the matter then goes to the proper standing committee for its action and recommendations; the civilian or officer in charge of the department and the selected departmental representative automatically becoming members of the standing committee. If groups of employees desire to have matters considered the same procedure is followed. If a standing committee cannot arrive

at a recommendation and comes to an impasse, the matter is referred to the Joint Conference Committee; and if deemed by it of sufficient importance it is passed on to the Central Council with a request for an expression of opinion or recommendation to guide the Joint Conference Committee in its decision. The Joint Conference Committee meets once in two weeks. Frank full discussion of all matters brought up before it takes place. So far no matter has been forwarded for the action of higher authority with one exception,—the rate of fare to be charged on the street cars on the Arsenal, on which the Joint Conference Committee could not arrive at a decision satisfactory to both the management and the employees. This was referred to the Commanding Officer of the Arsenal and by him to the Chief of Ordnance for final decision. The joint standing committee system with the weekly meetings of the Central Council and the bi-weekly meetings of the Joint Conference Committee makes possible speedy conference on all matters and insures continuity and growth of experience and the development of a consistent policy.

I think it may be accepted as a fundamental proposition in our government establishments that the development of any form of workers' organization must not be used in opposition to trade unionism. On this basis only can a better relation between employer and employee be worked out. The hearty coöperation of the employees of Rock Island Arsenal could never have been gained had they not been convinced of the fairness of the Ordnance Department towards trade unions as well as to all employees. The trade unionist has been perfectly frank in stating his position of distrust towards works organizations; he has frankly said that his hostility to such councils is due to the many times they have been used to weaken unionism, and he has in many cases made such organizations ineffectual when facts have justified his belief. I know of no ulterior motives in the Ordnance Department. The Department believes that even in an industry where the employees are highly organized there is still a necessity for developing channels of conference and communication with the plant. In no other way can the innumerable details of industrial relations be handled efficiently and expeditiously.

The relation of ordnance to the craft organization is simple and straightforward. Civil service regulations require that there shall be no discrimination against employees because of their religious or political affiliations. While pronouncements on trade unionism are outside the province of civil service, the policy of the government during the war expressly formulated by the War Labor Board discountenanced any discrimination because of trade union affiliations. Following this policy the Ordnance Department does not permit the question of union affiliation to be asked of any individual. But while there is no questioning in the ordnance establishments of the relation of the individual to trade unionism, the craft organization, being a part of the social structure and with a technical point of view distinctive to each craft, affecting industry as a whole, is welcomed in the presentation of that point of view to the proper ordnance officials.

The above is the simple mechanism of the Rock Island Arsenal plan. The main features are similar to innumerable works organizations that have stood the tests of time in England and America, but greater simplicity and effectiveness have been gained by its simple mechanism of standing committees and its mode of procedure. The works council plan as outlined above has the support, interest, coöperation, and good will of the men, as far as I can ascertain. It has been in operation too short a time for a final valuation either of the system or its results. I can only state that in many ways justification of its existence has been shown. It has produced increased interest in the work, as has been shown by innumerable suggestions for improvements, but best of all, in my mind, it has provided a mechanism for taking care at their sources of the innumerable small matters which are so important to the individual workmen, and I think it is producing a discussion and settlement of departmental problems within a reasonable time instead of postponing their settlement until dissatisfaction and soreness have developed. Its purpose simply is to remedy a defect in plant organization, and my experience is that it has proven itself to be what it was intended. It is not a cure or a panacea for industrial ills; it is simply a means of obtaining organized team work and I feel that it is producing this result. It is a coöperative attempt to apply common sense to industrial plant relationships.

WILLARD E. HOTCHKISS.—At the time President Gardner invited me to discuss Dr. Meeker's paper I made it clear to him that I should not try to reduce my thoughts to manuscript, and I have lived up to this qualification of my acceptance. What I shall have to say will be by way of impressions and opinions drawn from my own experience, but it will not necessarily reflect any mature and systematic body of views upon the general subject before us.

Without specific reference to Dr. Meeker's paper, it has seemed to me that much of the general discussion of Shop Representation has an air of unreality which largely impairs its value for men who are trying to deal with the subject in a practical way. Considering that we are still in the early stages of discussion, and that the subject is one of such varied detail, it is not strange perhaps that our efforts to generalize should have a certain detachment from concrete facts. Referring to this characteristic, if it exists, does not imply hostile criticism, and in no sense should I wish to focus any sort of criticism in this connection on Dr. Meeker's paper as compared with other utterances in the same field. It so happens, however, that Dr. Meeker's paper is the one before us today, and I am sure he will not take it amiss if I illustrate the point I am trying to make by reference to some of the things he said.

In speaking of the evils of absentee ownership, Dr. Meeker used an expression something like this: "It stands to reason that absentee owners cannot have the same interest in the men working in their plants as owners of smaller plants who are on the ground and in close touch with the plant." While I am ready to agree with the general

idea here expressed, it carries an implication to which I can agree only in part.

The establishment of wholesome industrial relations is primarily a question between management and men, and the character of management does not necessarily depend on who owns the business, or where he lives. To be more specific, everyone who has had occasion to observe the functioning of industrial relations in plants of different character will recognize at once that we are just about as likely to find a high grade forward-looking manager working for absentee owners as we are to find such a manager among plants in which management and financial control are centered locally in the same hands. My own experience has been that there is no one quite so impervious to progressive ideas with respect to industrial relations as the owner-manager of a small or moderate sized plant who developed his plant and his ideas in the last century, and who has kept both plant and ideas rigid ever since. I should not go so far as to say that this type is entirely typical of the small plants, but I am inclined to think that we shall find progressive ideas coming out of the large plants whose ownership is widely scattered, and whose financial control is centralized away from the plant, quite as frequently as we shall find it in the plants locally owned and managed.

The element of unreality to which I referred consists in this connection in drawing too sweeping generalizations from particular cases. Just now the public instinctively thinks of the United States Steel Corporation as typical of absentee ownership. If, however, instead of the Steel Corporation we think of any one of a dozen or more other nation-wide corporations that might be selected, we should find not only progressive management, but in many of the cases we should find that the inspiration for progressive management was coming from the centers of financial control in the corporations concerned.

Another point of unreality in the general discussion of this subject is the tendency to assume that a man who has not himself worked with his hands in the industry in which he is manager, cannot take a sympathetic view of the problems by which a worker in that industry is confronted. I am sure that every man who has had responsible practical experience in dealing with industrial relations will agree with me that of all the bigoted, arrogant, and dictatorial managers in the land, none are quite so arrogant as the arrogant group among those who have recently risen from the ranks.

Lest these observations appear captious and immaterial, let me make it quite plain that I am bringing them into the discussion in no captious spirit. My thought is merely to emphasize what to my mind is a very real danger of too sweeping and too early generalization in matters in which specific experience to date is fairly evenly balanced, and hence cannot be said to point in any one direction.

I do not wish merely to emulate Sir Roger de Coverly by observing that "there is much to be said on both sides." As a positive thought I should like to urge the wisdom of centering attention on questions of industrial-relations management and of not troubling ourselves over-

much with ownership, except in so far as the ownership factor affects particular cases which come up for solution. We do well, I think, to look for progress in industrial relations management wherever we can find it, and to forget whether the plants from which the contributions come are owned in one place or another.

Passing to a phase of the subject in which I find myself in complete accord with Dr. Meeker, let me emphasize a point which clearly it was his intention to make, and that is that mechanism can never bring us salvation. There is a very real danger that we shall have our attention focussed on this contrivance and that, and forget that we are dealing with matters of spirit and not of form.

The spirit in which shop representation is introduced is as I see it the first essential to its successful development. Unless the idea proceeds from a spirit of reciprocal obligation and regard, it is far better not to introduce it at all. It goes without saying that shop representation conceived as a weapon with which to put the union out of business is almost sure to have the spirit of industrial warfare; with that spirit it can scarcely become an instrument of industrial peace. Such an approach to the problem is essentially insincere and unworthy.

There is no doubt that some employers have thought of shop representation as an antidote for unions. We now have high union officials accepting this interpretation of the movement and in consequence directing against it their vigorous opposition. Whether this opposition is deep seated among workers or is a merely momentary challenge of leaders inspired by the folly of extreme employers is not necessary to discuss at this time. The point that intelligent and sincere persons working in this field should keep perfectly clear is that shop representation and trade unions are in essence entirely compatible. They represent different phases of the same subject.

It is essential in these times that management come into harmonious working relations with employees. The presence of a union in an industry or plant may and will doubtless modify materially the form which the relations of the concern to its employees will take. Obviously the questions that employers and employees will discuss and what they will say about them will to some extent be influenced by the relation of the plant to the union. In my judgment, however, it is just as impossible for organized labor to resist the efforts of employers to come into systematic and organized working relations with their own employees as it is for employers by trying to organize the employees under a form which they can control to stop the inevitable and necessary development of unions.

My own experience with shop committees has been exclusively with union committees. In general, business agents of unions are likely to urge the inconvenience and futility of dealing with shop committees in organized crafts. Nevertheless it is quite obvious that even in a business operating under a detailed agreement with the union, there are numerous things for a shop committee to do that will result in benefit for all concerned. Many of these things will cover matters which the business agent dealing with the management could not achieve, and

which would never come within the scope of his negotiations. I have also found many instances in which the shop committee and business agents working harmoniously together with management were able to achieve things which neither of them alone could accomplish.

The presence of a functioning shop committee in a union shop means merely that the business agent in order to be at the same time useful to the workers and successful from the union standpoint, must be of the adjusting rather than the fighting type. Shop committees organized in good faith and with the idea of full coöperation with the union, will result shortly in developing in unionized crafts an entirely new type of business agent, a business agent who will find ample field for his constructive activities in those questions which involve more than the single plant. This type of business agent will gradually learn that his real power is enhanced rather than crippled by not injecting himself into problems which can be settled amicably and in full accord with union standards within the plant. Such a development is devoutly to be wished.

By emphasizing then the compatibility of labor unions and shop representation we can help on the one hand to eliminate the tricky employer who would sell his employees a gold brick in the form of spurious shop representation, and on the other we can help the union educate the meddlesome and needlessly militant business agent. With industrial relations organized on a peace basis, the business agent who can only function on a war basis will naturally be replaced.

Whether a shop is union or non-union, complete freedom of expression both in the choice of representatives and with respect to questions discussed is a thing that must be protected and carefully fostered. The scope of subjects covered by shop representatives and the finality of their decisions are questions upon which some sort of policy is necessary. Undue anxiety about the range of shop committee activities will tend to check that spontaneity which is the best augury of success. The detailed working out of policies may safely become a matter of evolution, and the machine under which the basic purpose of representation is developed should, in my judgment, be almost entirely a product of evolution. The nature of the business, its history and personnel, and the character of industrial relations as they develop under shop representation will naturally determine the forms of organization.

Passing to the implications back of the whole movement toward representation, it seems to me that the problem which confronts us is really a problem of developing constitutional government in industry. I believe we should center our attention upon this idea, and ignore for the moment the question whether this government is to be at once a complete industrial democracy or some other constitutional form.

One of the criticisms frequently urged against unions is that they represent government by oligarchy, and the question is raised why should we overthrow the autocracy of the employer,—an autocracy which doubtless oftener than not is a benevolent autocracy,—why

should we overthrow autocracy in order to establish a meddlesome oligarchy whose interests are frequently quite different from the interests of the workers for whom it speaks?

Personally I am not stirred by these arguments, nor am I greatly concerned whether as a matter of fact the representatives of the workers are at any given time selected on an absolutely democratic basis. I have seen and experienced to my great annoyance some of those oligarchical and oppressive features of unions to which every opponent of them so readily directs attention. These features are more prominent in unionism than they ought to be, but they are not the dominant note. Even if they were, my faith in the irresistible force of democracy is such that I am quite sure if we establish any sort of orderly constitutional government in industry the tendency, in spite of continuing abuses here and there, will be for democracy to triumph in the end. Any such orderly government as it becomes effective will give to the workers more perfect and more democratic representation as time goes on. Our immediate task then is to see that in some efficient manner the constitutional and representative principle becomes operative, and that the stage is cleared for evolution to do the rest.

We can best clear the stage by acknowledging the compatibility and the necessity both of representation within the shop and of national unions in the background. Whether the national union exerts its influence directly or only indirectly upon a particular situation, whether the members of particular shop committees are also members of unions, whether they operate in union, non-union or mixed, open or closed shops, are questions which the natural interplay of industrial forces will determine. The great principle of representation by representatives freely chosen is one that should not be compromised by being injected into the controversy over the union or non-union shop.

There is one detail in connection with the thing that I have called "constitutional government" to which I should like to call particular attention, and that is the necessity that its functioning should be continuous. In the arrangement under which the men's garment industry is operating, a provision is made under the agreement with the union for the final decision by an impartial tribunal of disputes that arise during the life of the agreement. Experience with this plan in a single large plant has been successful for a decade. The plan is now in operation practically throughout the industry, and seems to be successfully adapting itself to the wider field. Workers in this industry seem to have none of the prejudice against arbitration that obtains among organized workers generally. As I have tried to discover the reason for this friendly sentiment, it has seemed to me that it is found in the fact of continuous as distinct from intermittent arbitration.

An arbitrator who is injected into a dispute when it becomes critical, who makes a compromise decision and goes away, is not in the best position to meet his obligation whether to the industry, to the workers, or to the public. The arbitrator who has to be on hand to

meet the difficulties which come up under his decision tomorrow and next week, feels a sense of responsibility which no improvised arbitration can produce. If the arbitrator goes wrong he at once becomes a target not only for the parties in interest, but for the public as well.

I see before me Professor Tufts, the arbitrator in the men's clothing industry of Chicago. Employers and workers alike, in that industry, have full confidence in the wisdom and fairness of Professor Tufts's decisions. Such confidence has to be based on a sense of permanent responsibility in my judgment.

Constitutional government in industry must ultimately mean authoritative decision of disputes which defy determination by the parties. It must also mean ultimately authoritative representation of the public when these disputes are being settled. The relations between employers and employees in particular industries can be embodied in basic agreements which will serve as the institution on which the industrial relations in the industry concerned are founded. Provision for continuous impartial decision as to the true meaning of such agreements may be made a part of the agreements themselves, and the judge who is to decide may also be selected by agreement before disputes arise. Such an arrangement will not be subject to the objections raised against compulsory arbitration. The development of comprehensive voluntary agreements in different industries and the continuous impartial and authoritative interpretations of them will gradually furnish the essential elements of genuine constitutional government in industry.

D. R. STEVENS.—Dr. Meeker's attitude toward industrial representation is very fair. He evidently feels that industrial representation plans should be given a thorough tryout. In his paper he pointed out many practical pitfalls which can confront representation plans, especially those plans where the management is not sympathetic or has introduced the plan for what it can get out of it.

Professor Gardner in his address last evening indicated that economists can point out what is the trouble in the field of industrial relations, but due to their lack of actual experience with industry it is difficult for economists to suggest a remedy. I seemed to find in Professor Gardner's speech an appeal for something constructive as a solution of the present day troubles. That is what the industries are now trying to offer. They are trying to answer the appeal for something constructive by making a sincere attempt to solve labor problems through fair industrial representation plans.

I wish that I might be here not as a representative of Goodyear but to discuss industrial representation in general. But you have asked me to describe the Goodyear plan. What we have to offer at Goodyear is our constructive contribution. It is not the last word and it is not a panacea for labor trouble. It is our best effort to date. I do not wish to appear before you as one who desires to make a speech but rather as one who believes it is a duty to explain to educa-

tors what it is that industry is trying to do. In return we should always be glad to have the educators visit us and see at first-hand what the effort is accomplishing.

Professor Blackmar spoke of real democracy as a spirit of fairness and justness. Unless we have these we do not have democracy. That is what we believe at Goodyear. Our machinery, the industrial representation plan, is rarely used. The machinery is there as a protection for all those who need it. But if the plan is working well the machinery is used but little.

Mr. Whiting Williams, after spending nine months as a laborer, has come back to his office and made one interesting statement, namely, that workingmen "are great detectors of bull." It is fully recognized that unless industrial representation plans steer away from such criticism and the criticism expressed in Dr. Meeker's word "piffle," that they will indeed fail.

There has been considerable talk about the words "industrial democracy." Now great industries have not used the words "industrial democracy" in their industrial representation plans. They have merely used the very simple terms of "employee representation," "shop committees," or "industrial representation." The only man who has used the term "industrial democracy" is Mr. John Leitch, and he had every right to use it as a sort of trade mark or slogan to sell his plan. Although I cannot personally recognize his plan as sound in all features, nevertheless, I have fully recognized that he has done a great deal of pioneer work and long ago rushed in where "angels fear to tread" and opened the way for much good to follow. Since his plan contains a House and a Senate he was probably entitled to use the trade name of "Industrial Democracy" but the great corporations such as the Colorado Fuel and Iron Company, Standard Oil of New Jersey, DuPont Powder Company, Westinghouse Electric and Manufacturing Company, General Electric Company, International Harvester Company, Bethlehem Steel Company, Youngstown Sheet and Tube Company, White Motor Company, Goodyear Tire and Rubber Company, United States Rubber Company, etc., are not using the term "industrial democracy." It is too high-sounding.

The Goodyear plan was not started on account of fear of labor trouble. There was no trouble in the plant nor trouble anticipated when the plan was started. We had a highly developed labor department, but we still felt a lack of contact with the men, and the plan was worked out with a group of people appointed by the management and elected by the men, which was a very wise start. For today the plan is not known as a "company" plan.

There are two types of industrial representation plans in operation in this country. One is known as the joint-conference type, where a number of men sit around the table with an equal number of the management, and the other is of the governmental type with a House of Representatives and a Senate similar to those of a state. Goodyear has adopted the latter type. It appeals to Goodyear be-

cause it tends to break down class distinction. Instead of having the two classes, capital and labor, or even the milder words men and management, we have tried to work out an industrial state, if you can visualize such an ideal, where all groups (rather than classes) including the workers, the inspectors, the foremen, the staff men and the management themselves have proper representation, just as they do in a state. All these groups need help. Dr. Meeker mentioned in his paper the fact that the "still small voice of the management" is heard in practically all plans. This is indeed true and should be true. Any plan where the still small voice of the management is not heard would be a very sorry plan, for if the management is not competent to run the factory and make its voice very real instead of something small, by all means the management should be changed. The Goodyear plan is to give corrective power to those who are affected by the rules laid down by the management. The plan is not designed to take executive power away from the management. It gives more real power to the men in our opinion than almost any other plan in existence. As in the case of the national government, the House and Senate both elected by the Industrials (a coined word) have power to over-ride the factory manager's veto by a two-thirds vote.

The factory is divided into precincts which elect one representative each (total of forty precincts) and also into ten districts (four precincts to a district) which elect two senators each. The Senate is composed of twenty senators who have been five years or longer with Goodyear, and the House of Representatives is composed of forty representatives who have been one year or longer with Goodyear, thus giving a parallel situation to that found in our national government. Parts of the Industrial Representation plan are copied outright from the Constitution of the United States. An Industrialian is in industry what a citizen is in a state. A man before becoming an Industrialian must have certain qualifications, namely, six months service, American citizenship, and eighteen years' age.

Now you will want to know what the plan has done. I have a very limited amount of time to tell you but merely to show you that the subjects have been large subjects and not "piffle," I will point out the following: (1) establishment of permanent shifts instead of rotating shifts; (2) establishment of Saturday half-holiday; (3) improvement through coöperation with the management of all rates within the engineering departments; (4) improvement of storeroom rates and hours; (5) improvement of inspector's rates and as a result the establishment by the management of the merit-rating system; (6) the handling of the machinists' strike, which came upon us when the plan was new and everyone was green. Due to the efforts of the assembly and the management 58 per cent of the machinists remained at work and Goodyear machinists who went on strike came back first, thus breaking the strike, and one week later the men in all the other plants returned to work. So you see that the plan is not a panacea, but we have gone into it because we believe the plan is fair and just and right and for no other reason.

We feel that educators have a great power for good in their opportunity to put ideas before young men, also that industry should not be backward in exchanging ideas with the educators. We recognize the great power educators have and only ask that they will make a careful study of industrial plans. Representation plans are not designed to kill unionism. Any program which brings men and management close together, whether by trade union agreement, through the services of an impartial umpire, through industrial representation plans, or through straight and sincere practice without any plan at all,—all of these should be given a fair chance to demonstrate. Only those plans which are fit will survive. Dr. Meeker stated that he thought that the stampede for industrial representation plans was over. I certainly hope so, for anybody who is stampeding into this plan is in the wrong in adopting a bottled plan, giving it to the workmen, and saying: "There it is." Such methods will not work. However, with the stampede aside, there is a steady and ever-increasing growth in sincere representation plans throughout the industries of the nation. A plan is only as strong as its weakest link. If those who are elected behave as politicians the plans do not hold so much promise as they do if the elected men try to act as statesmen. In all plans there are three stages to be passed through: (1) suspicion on the part of both men and management; (2) selfishness on the part of either men or management; (3) finally, with the above two stages successfully passed, a measure of success may be looked for. The old Bible quotation, "Come let us reason together," is based on pretty good logic.

FRANCIS H. BIRD.—Mr. F. A. Silcox, Director of the Bureau of Industrial Relations of the United Typothetae of America, has asked me to express his regrets to the American Economic Association that enforced absence from the city has prevented him from taking part in the discussion of Dr. Meeker's excellent paper. He has requested me as Assistant Director of the Bureau to make a few remarks in his behalf.

Dr. Meeker has stressed several points which should be given serious consideration by an assembly such as this. I shall limit my remarks to the elaboration of one point in his paper, the Whitley Council experiment, and our modification of it in the commercial branch of the printing trade in this country.

The printing industry in this country is divided into the newspaper and commercial branches. The United Typothetae of America is the international organization of the employing printers in the commercial branch of the industry. The United Typothetae, however, as an organization has no labor policy. It confines its activities to the fostering of trade and commerce in the printing industry, and to the encouragement of high standards of business methods and business ethics among printers. In this connection I should like to state that more than 6000 students,—either printer employers or members of their establishments,—have already been graduated from or are now study-

ing the standard estimating, cost finding, salesmanship, advertising, or other business courses prepared by the Committee on Education of the United Typothetae, and examined and approved by the School of Business Administration of Harvard University. These courses are given by competent instructors in the evenings in different localities where there are branches of our national organization. The tendency of the printer today to approach the problem of industrial relations in an open minded, scientific way, is in part due, I venture to say, to his becoming a student of the different phases of his business.

I have stated that the United Typothetae as an organization has no labor policy. Members of the organization who are particularly interested in the labor phase of their business have the privilege, if they so desire, of affiliating themselves with either the Open Shop or the Closed Shop branches of the United Typothetae, according to their preference of dealing with their men as individuals or through the unions. Both branches are very active and both have in their membership leading printers of the country.

The Closed Shop Branch of the United Typothetae has within the past year become a party to the International Joint Conference Council which has been set up representative of employers' organizations and international unions in the commercial branch of the printing industry for the purpose of bringing about greater stabilization of industrial conditions within the trade.

In some respects our Joint Council resembles the National Joint Standing Council of the English Whitley plan, but there are also important differences. This becomes evident when a comparison is made between the constitutions of the Joint Industrial Councils in the printing industry in England and in the United States. In England, by the way, as far as I have been able to ascertain, the constitution of the Joint Industrial Council in the printing industry is still in draft form, and no meeting of the Council has been held; while our Joint Industrial Council is a going concern. This would tend to bear out the point made by Dr. Meeker, that the Whitley councils in England were not developing as fast as we may have been led to believe. Examining the draft constitution of the English council and the constitution of our American council, we find one marked difference; our American council corresponds to the "National Executive" provided for in the English draft plan. The National Executive might be called the board of directors of the English Industrial Council. The English Industrial Council itself includes the organizations of the employers on the one hand and of the employees on the other in the allied printing trades. The members of the National Executive are elected by the organizations which make up the Industrial Council.

In the United States we do not have an industrial council in the allied printing trades in the English sense; our Council resembles the National Executive of the English plan. Its members, eight in number, are selected by the employers' and employees' organizations as follows:

Employers: United Typothetae of America, Closed Shop Branch, (two members, one representing Employing Bookbinders); Printers League of America (one member); International Association Employing Stereotypers and Electrotypers (one member).

Employees: International Typographical Union (one member); International Printing Pressmen and Assistants' Union (one member); International Brotherhood of Bookbinders (one member); International Stereotypers' and Electrotypers' Union (one member).

While in England the industrial council plan was fostered by the government, in this country our Council is a result of a spontaneous development from within the printing industry itself. In February, 1919, a group of representative employers and union leaders in the commercial branch of the printing industry met in Washington, D. C., to discuss the possibility of establishing closer relations for the better dealing with mutual problems and the bringing about of stabilization of labor conditions in the industry. As a result of this meeting an informal joint conference was organized which convened for the first time in Cincinnati in March. Another meeting was held in Chicago in April and meetings were held in New York City in June, August, September, October, and December. During this period the Council was officially ratified by the different organizations which are represented in its membership.

Now, as to the Council in action. One of the chief accomplishments of the Council is intangible in its nature. The representatives of the employers and the unions in getting together in an informal way around the table and discussing frankly without heat or passion the many perplexing problems in which both groups are vitally interested have developed an industrial good will and respect for one another's opinions which are of material assistance in laying the foundation for better industrial relations throughout the whole industry. Their method is the joint investigation of the facts, and, on the basis of the facts, the working out of a constructive industrial program.

Among the tangible accomplishments of the Council has been the adoption of a set of principles to guide in local wage negotiations and adjustments, which have proven most useful and practicable in several instances where they have been tried out. In fact, in one instance in particular, by applying these principles it was possible to get a peaceful wage adjustment in a certain city for the first time in three years. These cardinal principles are as follows:

1. That the industry frankly recognize the cost of living as compared to 1914, as the basic factor in wage adjustments.
2. Industry is to pay at least a reasonable living wage; scales below this are to be adjusted in frank recognition of the basic principle involved.
3. That, when not in conflict with the existing laws of a constituent body, local contracts be for a period not less than three years, and include a clause providing for annual readjustments of wages based upon cost of living, as determined by authorities jointly agreed upon

(and upon the economic conditions of the industry at the time of re-adjustment).

4. That a uniform standard system of cost-keeping is considered fundamental to insure stability, permanence, and prosperity to the industry, and to provide a basis for securing a greater degree of uniformity in conditions throughout the country; a clause to be included in local agreements providing that such a standard system as is recognized by the organization represented in the International Joint Conference Council be required.

5. That controversies over wages, hours, and working conditions between employers and employees, can and should be settled without resorting to lockouts or strikes, through voluntary agreements to refer disputes where unable to settle through conciliation to joint boards of arbitration, composed of equal representation of employers and employees, provision being made for an impartial arbitrator if necessary.

As the president of one of the unions, a member of the Council, has put it: "It should be clearly understood that the adoption of these principles by the Joint Conference Council does not arbitrarily compel their acceptance either by unions or by employers. They point the way to the elimination of much industrial unrest, to the fair adjustment of wage controversies, to the establishment of stability and prosperity, and to the progress of those who are engaged in this branch of the printing industry."

In a recent address before the Employment Managers' Association Professor John R. Commons pointed out that through its International Joint Conference Council the printing industry was attempting to stabilize the dollar. What he had in mind was the incorporation of automatic cost of living wage adjustment clauses in recent wage agreements in such cities as Chicago and Detroit in accordance with the principles endorsed by the Joint Conference Council.

One of the most constructive acts of the Council has been the adoption of a resolution to the effect that the organizations represented in the Council will voluntarily adopt the 44-hour week throughout the country on May 1, 1921.¹ The last reduction of hours in the organized branch of the printing industry was brought about through country-wide strikes costing both employers and unions millions of dollars. From all indications as a result of the Council's deliberations the next reduction in hours will be made peacefully and without upsetting the industry. Before the 44-hour week resolution became effective it was necessary to have it ratified by the different organizations represented upon the Council, as is provided when important issues are to be decided. No important action of the Council can become effective until it has been referred to the organizations which are represented in it and the unanimous approval of all the organizations has been given.

Other subjects which the Council is giving consideration are the standardization of contracts, the apprenticeship problem, the setting up of joint district councils, and wage uniformity.

¹ This does not affect the Open Shop Branch of the United Typothetae of America.

In closing, I should like to read a paragraph from a letter Mr. Silcox, the Director of the Bureau, has written me regarding Dr. Meeker's paper. I know he did not intend this for publication but I think it is well worth reading to you:

Dr. Meeker really hits the nub of the problem when he approaches the whole subject with the object of pointing out that democracy is a spirit of approach, an attitude of mind, and the like. Plans formulated in detail no matter how well worked out are of no avail if the spirit is not sincere. The practical way to make progress in the direction of real democratic participation in management in any industry, is to take a few especially selected plants which are already democratic in spirit and have them experiment step by step with more democracy,—evolving plans as they go along,—spontaneously growing out of their needs as suggested by the people who are to be responsible for the working out of the plans.

F. S. DEIBLER.—Plans for the participation of employees in management may well be considered in the light of the evolution that has taken place in industry during the past century and a half. The importance of keeping this historical perspective in mind in developing these plans lies in the character of the incentives that are available as stimuli to call forth the interest and productive effort of labor. Viewed in this way there are certain things that are matters of common knowledge: (1) Labor has been separated from the ownership of the factors of production. This change took away from labor two important stimuli, namely, the protection which ownership affords the individual in enjoying the fruits of his own thought and energy, and the loss of social prestige which is associated with the possession of property. (2) The owners have lost personal contact with their employees. This separation has bred suspicion and distrust on the part of both the employer and employee. A sharp class cleavage is not a wholesome condition from which to expect productive coöperation. (3) Specialization and large scale production have taken from labor a large part of craft interest and pride in workmanship. The tendency of modern industry has been to subdivide processes and to assign the laborer more and more to routine work. Where division of labor has been carried to this stage, pride in workmanship, the most effective protection to quality, has largely disappeared, and there is little left in industry but irksomeness. Thus pride in ownership, pride in workmanship, and personal contact between employer and employee have been sacrificed as incentives in modern industry for increased production and lower unit cost. No satisfactory substitutes for these incentives have been found and adapted to the needs of industry as it exists today. While we have gained, we have also lost, and we are now reaping in industrial unrest part of the harvest arising from modern large scale production.

However, no one would seriously argue for a return to the earlier conditions of industry, but the fact remains that the incentives then present have largely disappeared from industry today. This fact has not been sufficiently recognized in shop management as applied to labor. It can not be said that this truth has been unperceived. In

fact, many attempts have been made to secure the coöperation of labor in production by setting up incentives in the form of bonuses, profit-sharing in its many forms, piece work, scientific management, etc. These various plans have been developed in the main by employers or by those who have approached the problem from the entrepreneur or profit point of view. Consequently, greater reliance has been placed upon the economic as distinguished from the psychic incentives.

Appeal through economic incentives has taken several forms: (1) In profit-sharing, it has been assumed that the receipt of a share of profits would create an ownership interest in the industry. But experience has shown that profit-sharing has not been a sufficiently powerful or immediate incentive to have much effect upon the average workman. A slight increase in wages will usually yield a larger return than can be expected from a share in profits and will be certain. (2) Sale of stock on favorable terms to employees, while the plan may be liberal and effective as a means of safe investment for the savings of the employees, has proven no more effective in developing ownership interest in industry. Such plans do not convey real power in directing or controlling industry. (3) Piece work is a powerful economic incentive. It individualizes work and pay, but it places the premium upon output at the expense of quality. It is, however, the most powerful and effective incentive that has been developed in modern industry. Nevertheless, employers frequently complain that employees under a piece-work system set a shop pace that unduly restricts output. This fact, in a large measure, accounts for the popularity of scientific management among some employers. (4) Speaking generally, scientific management sets up a work standard that must be attained before the wage bonus can be enjoyed. The incentive is not essentially different from that of piece work except that the extra pay for extra work is more directly under the control of the management. The work standard under most scientific managements plans is set up by a specialized department and the workmen have little or nothing to do with the development of that standard. As applied to the direct activity of labor, *i.e.* eliminating the effect upon the organization of the shop, materials, etc., scientific management does not seem to provide an incentive that will take the place of those present in the simpler conditions of industry. There are elements that go to make for productive efficiency of labor that do not seem to be met by the plans that have been devised for that purpose in modern industry.

Turning now from the incentives that have been developed in industry to the demands of labor for participation, we find an urgent demand for a particular form of participation in management. I quote from the reconstruction program adopted at the Atlantic City Convention of the American Federation of Labor under the topic, "Democracy in Industry":

Two codes of rules and regulations affect the workers: the law upon the statute books, and the rules within industry.

The first determines their relationship as citizens to all other citizens and to property.

The second largely determines the relationship of employer and employee, the terms of employment, the conditions of labor, and the rules and regulations affecting the workers as employees. The first is secured through the application of the methods of democracy in the enactment of legislation, and is based upon the principle that the laws which govern a free people should exist only with their consent.

The second, except where effective trade unionism exists, is established by the arbitrary or autocratic whim, desire, or opinion of the employer, and is based upon the principle that industry and commerce can not be successfully conducted unless the employer exercises the unquestionable right to establish such rules, regulations, and provisions affecting the employees as self-interest prompts.

Both forms of law vitally affect the workers' opportunities in life and determine their standard of living. The rules, regulations, and conditions within industry in many instances affect them more than legislative enactments. It is, therefore, essential that the workers should have a voice in determining the laws within industry and commerce which affect them, equivalent to the voice which they have as citizens in determining the legislative enactments which shall govern them.

It is as inconceivable that the workers as free citizens should remain under autocratically made law within industry and commerce as it is that the nation could remain a democracy while certain individuals or groups exercise autocratic powers.

It is, therefore, essential that the workers everywhere should insist upon their rights to organize into trade unions, and that effective legislation should be enacted which would make it a criminal offense for any employer to interfere with or hamper the exercise of this right or to interfere with the legitimate activities of trade unions.¹

It is apparent from these passages that so far as organized labor speaks for labor as a whole, participation in management, or democracy in industry, means collective bargaining through trade unions. While the demand is frequently and urgently made by organized labor for a voice in industry, the extent to which these demands would go in the direction of participation in management is usually quite definitely limited by the implications of collective bargaining through union representatives. In fact there is plenty of evidence that unionists oppose extension of responsibility for management beyond the questions normally covered by a trade agreement, because, as James W. Sullivan, labor's representative on the Commission of the National Civic Federation to England, France, and Italy, says of "Democratization of Industry":

The whole matter comes down to the fact that workmen sharing control in any industrial establishment must have either personal training or expert advice as to the points enumerated above (problems of management), coupled with sufficient general education and brain power to cope continually with keen minded competitors. They must also be able to rise to the self-discipline necessary to secure united action in a board of directors representing both capital and labor. Furthermore, placed in such a position, labor would necessarily be compelled to accept all the consequences of control, including, when necessary, the passing of dividends, sharing of losses, reducing of wage scales, dismissing surplus employees, abolishing the minimum wage, sacrificing certainty of income, and incurring various forms of liability.²

The kind of participation demanded by organized labor is, then, aimed primarily at securing a larger share of the benefits from indus-

¹ *Proceedings of the American Federation of Labor*, 1919, p. 71.

² *National Civic Federation Review*, August 30, 1919, p. 4.

try. It does not now look in the direction of greater responsibility for amount and quality of output. In fact, adequacy of supply is assumed and the real problem for labor is one of distribution. In support of this statement I quote again from the Reconstruction Program of the American Federation of Labor: "Just wages will prevent industrial stagnation and lessen periodical unemployment. Give the workers just wages and their consuming power is correspondingly increased. A man's ability to consume is controlled by the wages received." "There is no basis in fact for the claim that the so-called law of supply and demand is natural in its operations and impossible of control or regulation." "There is, in fact, no such condition as an iron law of wages based upon a natural law of supply and demand."³

The way out to them is through organization: "There are no means whereby the workers can obtain and maintain fair wages except through trade union effort. Therefore economic organization is paramount to all their other activities."⁴

This I think represents fairly the position of organized labor in respect to the part labor is to play in management. It is not surprising that organized labor has proceeded no further in the direction of assuming responsibility for quantity and quality of output. As it now exists trade unionism is primarily a militant organization. In the past so much time and energy have had to be spent in securing an audience with employers on an equal footing, that comparatively little attention has been given to the problems of management as understood by the employer. The real issue between labor and capital is a contest for power. Labor challenges the employer's right to dominate industry and demands a voice in controlling industry so far as that control pertains to labor, and justifies its demand on the ground that the existing control by the employer is repugnant to the principles of democracy. It is assumed that because we have political democracy we should therefore have industrial democracy. However, mere transference of power from employer to employee will not solve the problems of labor. Whatever may be the facts concerning the existence of definite union rules restricting output, the present program of organized labor does not, from the very nature of the problems with which it is dealing, set up incentives that stimulate the interest of workmen in quantity and quality production. Labor may one day find itself in the possession of the power to control industry and discover that it has inherited a new problem in the nature of the responsibility for the proper exercise of that power. Wages can not be paid except as goods are produced.

Plans for employees' participation in management have been developed primarily from either the employer or labor point of view. With few exceptions participation does not carry with it responsibility for the exercise of the power conveyed. Nor are the plans of participation usually of such a character as to develop that responsibility. The schemes for the adjustment of disputes, whether they be in the

³ *Proceedings of the American Federation of Labor*, 1919, p. 72.

⁴ *Ibid.*

nature of conciliation, mediation, or arbitration, do not pretend to do more than establish an orderly method of settling differences in the place of a resort to a test of the economic strength of the two parties. However worthy and effective these plans may be, they do not set up in industry incentives that are comparable with those that have disappeared with the development of large scale production.

There are two standards by which plans for participation may be tested. First, how far is the extension of power accompanied by responsibility that its exercise will be for other than selfish purposes? Second, to what extent does the plan set up satisfactory incentives to replace those that we have lost by changes in industry?

To measure up well against these two tests, indefinite though they may be, would require a plan to result in a large and continuous flow of wealth of high quality. Advisory councils made up of equal representation of employers and employees like those proposed by the Whitley report may accomplish something in the direction of reducing conflicts and creating an atmosphere out of which something more constructive can develop. But, in their present form, I do not see that these councils will solve British labor problems. Industrial councils and shop management plans handed down wholly by the firm, unless they make very liberal provisions for modification of the terms of the plan as the result of joint negotiation with the representatives of the employees, are likely to meet the same fate as welfare plans. Employees will regard them with suspicion. To be effective the plan must be genuine and undertaken with the same determination to make it a success that would be given to the organization and prosecution of any other business policy.

So far as I am acquainted with the various plans now in operation, the scheme of the firm of Hart, Schaffner & Marx, recently adopted by the manufacturers in the men's clothing trade throughout the country, is the most democratic, and is making substantial progress in the direction of effective participation of employees in management. Without going into its structure I will close by setting forth what impresses me as the strength of the plan: (1) There has been from the first sympathetic support of the plan by the firm. (2) Unusual intelligence has been put into the operation by both the firm and the employees. (3) The plan is an integral part of the general management. (4) The trade board is presided over by a man mutually agreed upon and in the joint pay of the firm and the employees, and to all intents and purposes the board is continuously in session. (5) The trade board and the board of arbitration are in the nature of industrial courts, and their decisions become, as it were, the industrial law of the industry. While the decisions become precedents, the two boards differ in their operation in two important respects from ordinary courts: (a) they have their faces turned toward the future and the successful operation of the plant to a greater extent than courts; (b) the fundamental law—the agreement—is renewed at three year intervals, which gives a chance to modify precedents that are operating detrimentally to the business.

A comparison of the agreements as renewed from time to time, will show a gradual extension of questions covered. How far the plan is furnishing incentives to workmen to quantity and quality production, I am not in a position to know. But two things can be said of its operation: (1) Employees are made to face before the trade board the consequences of particular demands or decisions upon the success of the business. (2) The plan has developed a considerable good will among the employees in the industry. By way of illustration of this fact, I will quote a statement made a few years ago by a girl at the time of a strike against another firm. She said, "I never tell any of my friends that I work for firm XX. When anybody asks me where I work, I tell them for Hart, Schaffner & Marx."

It is not assumed that this plan can be lifted bodily and planted in another industry where the traditions and industrial problems are different. But as a plan of participation it is instructive because it apparently is developing an experience in labor relations in industry that enables the employer and employee to get beyond the discussion of questions of distribution and to consider their mutual interest in production. The spirit in which any plan of participation is undertaken has never been better put than by the Mayor's Council that revised the New York Protocol in 1915:

In the endeavor to work out the plan of a new compact of this sort the council has laid down the following fundamental rule:

That the principle of industrial efficiency and that of respect for the essential human rights of the workers should always be applied jointly, priority being assigned to neither. Industrial efficiency may not be sacrificed to the interest of the workers, for how can it be to their interest to destroy the business on which they depend for a living, nor may efficiency be declared paramount to the human rights of the workers for how in the long run can the industrial efficiency of a country be maintained if the human values of its workers are diminished or destroyed? The delicate adjustment required to reconcile the two principles named must be made. Peace and progress depend upon complete loyalty in the effort to reconcile them.⁵

DITLEW M. FREDRIKSEN.—There is one point of view, I think, which should not be omitted in this discussion,—the point of view of the public, the consumer. It is evident that employees' participation in management will mean higher wages, shorter hours, certain expenses incident to better working conditions, resulting in increasing cost of the product, which can only be partially offset by increased effectiveness.

I think it significant that most of the industries in which so far shop councils have been established and improvements effected have been in the class that may be characterized as specialties: manufacturing some special product in which there is either a monopoly, or special advantages so that abnormally high profits are made. Henry Ford, with annual profits of fifty millions a year, can easily pay his employees higher wages and give them better conditions without increasing the price of his output. The government arsenal is a special instance, in which the selling price of the profit does not enter.

⁵ *Monthly Review, United States Bureau of Labor Statistics*, August, 1915, pp. 9, 10.

It is no doubt useful, and will be to the advantage of the movement we are interested in, that this development should take place in these industries manufacturing specialties, which can well afford the cost that the improved conditions bring with them. But the problem will be much more serious when we get to the great basic industries like coal, which are in some cases at least run on a narrow line of profit; and it is of course especially in these basic industries, where low grade foreign laborers are employed, that the improvements are urgently needed. We must hope that the experiments that are being conducted in the high grade specialty industries will also extend to the other industries, even if it can only be done at the cost of an increasing price to the public; but I think in the question of employees' participation in management the point should not be overlooked that the public interest should also in some manner be represented, to see that the price of the article is not unduly increased.

As to what the employees themselves want, I do not think they want to actually participate in the business operation, in the sales management, which they do not understand much about. What they want is to have something to say about working hours and working conditions.

After all, the great thing that is needed is to give the employee an actual interest in increasing the output. The world seems to be tired; there seems to be an unwillingness on the part of labor to exert itself; it wants higher pay, easier work, shorter hours, less production, when the world is urgently calling for greater effectiveness and more production. The only way to accomplish this, I think, is to give the employees, in addition to a guaranteed salary (from which I think there is no possible escape) also some interest in the annual profits. This has been recommended by President Eliot of Harvard. The working man must have his regular wages to provide for his daily living (the socialistic doctrine of wage slavery will not hold water); the daily living expenses must be guaranteed in the form of daily wages, but besides this, it is quite feasible, in addition to giving the employees some participation in the management, also to give them an annual addition to wages in the form of a share of the profits of the factory, and this will give each man an interest in the success of his work, and will mean more work and greater production.